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AICPA *Washington Report*

July 7, 1975, Volume IV, Issue 19

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AGRICULTURE, DEPARTMENT OF

Finalized amendments to the Farmers Home Administration regulations on development grants for community domestic water and waste disposal systems have been issued (see 6/30/75 Fed. Reg., p. 27475). Section 1823.472 contains the audit provisions and permits CPAs or LPAs to perform required audits.

CIVIL AERONAUTICS BOARD

The Commission will undertake a comprehensive analysis of its own regulatory practices. Chairman Robson in making the announcement noted that it is the CAB's goal to reform its procedures so that decisions can be made more quickly and the administrative process will be less costly and complicated. Initially an Advisory Committee on Procedural Reforms will be established composed of persons outside government. Recommendations resulting from the Committee's study would then be implemented through the Board's own organization. CAB is the second independent regulatory agency to begin to make changes in its procedures. The ICC not long ago initiated an internal staff study to consider many of the matters the newly-created CAB Advisory Committee will be looking at. The Chairman for the Advisory Committee is Elroy H. Wolff, a partner in the law firm of Sidley and Austin, Washington, D.C. Mr. Wolff is an ex-Federal Trade Commission official.

FEDERAL HOME LOAN BANK BOARD

Garth Marston has been reappointed to the Board. A replacement for Mr. Bomar, the Board Chairman, has not been named, although it is reported that former Representative Benjamin Blackburn (R-GA) is in strong contention for that vacancy.

The Federal Savings and Loan Advisory Council will meet 7/21/75 to 7/23/75 at the Madison Hotel in Washington, D.C. Agenda items include the following: duplication of examiners and auditors; reserve requirements; accounting treatment of add-on interest on unsecured loans; and restructuring of the Federal Home Loan Bank System. The meetings are open to the public.

FEDERAL POWER COMMISSION

A new Form 69 has been adopted by the Commission (Order 531 of 6/25/75). The new form, to be filed by all interstate pipeline companies, will be used to determine the extent to which alternate fuels may be utilized to meet the requirements of those end-use customers who will not be able to continue to satisfy their energy needs with natural gas due to the imposition of increasing levels of curtailment upon such companies by interstate pipeline companies or foreign suppliers of natural gas. The Federal Energy Administration will also be issuing regulations and a similar form for those suppliers of natural gas who are not subject to the FPC's jurisdiction. Copies of the Order may be obtained by contacting the FPC at 202/386-6102.

FEDERAL RESERVE BOARD

Public comment is being solicited on a number of issues in connection with the offering by financial institutions of Individual Retirement Accounts. Announced simultaneously by the Board and the Federal Deposit Insurance Corporation, comments are requested on such issues as should IRA deposits be subject to the same penalties for early withdrawals as other time deposits; should commercial banks be allowed to pay interest on IRA deposits at the same rate as thrift institutions; and should there be a special interest rate allowed for such deposits? Comments on these issues should be filed with the FDIC no later than 7/30/75 and with the FRB by 8/8/75. For additional information, call the FDIC at 202/389-4221 or the FRB at 202/452-3685.

GENERAL ACCOUNTING OFFICE

"Air Pollution Control Program, Sassafras County, Maryland," is the title of the GAO's Audit Standards Supplement Series No. 6. This illustrative audit was undertaken to demonstrate one type of situation where an audit of a local governmental activity could provide information needed at the local level and also deal with questions and issues of interest to the State and Federal levels of government. The reporting concepts illustrated are different from those commonly used by public accounting firms and most governmental audit organizations. Copies of the Supplement are available at 85 cents per copy from the GPO (S/N 200-00128).

HEALTH, EDUCATION, AND WELFARE, DEPARTMENT OF

The second stage in the development of a national health insurance policy by the Subcommittee on Health of the Ways and Means Committee will take the form of small discussion panels from members of the Advisory Panel on National Health Insurance. These panel discussions will begin on 7/10/75 and are scheduled to meet again on the 11th, 17th and the 24th. In addition, on 7/31/75 the Subcommittee will meet to consider which aspects of medicare it will want to address in public hearings to be held after the August recess.

Finalized regulations for State Social Service Programs to be administered under the Social Security Act appeared in the 6/27/75 Fed. Reg., p. 27352. The regulations incorporated by reference the administrative requirements contained in 45 CFR Part 74.

In addition, the SRS has also issued final regulations for its Child Support Enforcement Program in the 6/26/75 Fed. Reg., p. 27154. These regulations, as the ones noted above, incorporated by reference the general administrative requirements and cost principles that apply to all HEW grants made to States as contained in 45 CFR Part 74.

INTERSTATE COMMERCE COMMISSION

Proposed amendments to the Uniform System of Accounts for all Class I and II or Class A carriers concerning revisions contemplating disclosure in financial statements filed with the ICC of compensating balance arrangements and

certain short-term borrowing arrangements between carriers and financial institutions have been issued (see 6/30/75 Fed. Reg., p. 27494). The Commission believes many of the disclosures required by the SEC should be applicable to regulated carriers particularly where the information would be valuable in assessing a carrier's liquidity and short-term borrowing capacity. Comments on the proposal are requested prior to 7/30/75.

JUSTICE DEPARTMENT

The White House intends to ask for \$6.8 billion for the Law Enforcement Assistance Administration (LEAA) through 1981. Included in the announcement, was a statement by the President directing the Attorney General to coordinate prosecutions of white collar criminals, noting that "in addition to direct economic losses, white-collar crime can destroy confidence in and support for the nation's economic, legal, and political institutions."

Restrictions on law firm advertising should be the next step toward competition in the legal community. Bar Associations that don't relax disciplinary rules prohibiting advertising may be subject to antitrust attack noted Deputy Assistant Attorney General Bruce B. Wilson. Wilson did not go so far as to advocate advertising prices but did comment that the more broadly a restriction on a commercial activity such as advertising is drawn, the more likely it will raise serious antitrust problems. Wilson's remarks were made before an Idaho and Alaska Bar Association meeting 6/27/75 in Vancouver, BC.

LABOR, DEPARTMENT OF

The 1974 Report to Congress on the Administration of the Welfare and Pension Plan Disclosure Act is available. It contains information on the reporting and disclosure requirements under the 1958 law, noting that the passage of the 1974 Employee Retirement Income Security Act (ERISA) will change some of the present activities currently required under the older law. Copies may be obtained by calling 202/254-7013.

"Often-Asked Questions About the Employee Retirement Income Security Act of 1974" is the title of a general reference booklet prepared by the Labor-Management Services Administration. It provides general information about the 1974 law, and copies may be obtained from LMSA area office located in major U.S. cities or by calling 202/254-6510.

OFFICE OF MANAGEMENT AND BUDGET

The 1975 "Catalog of Federal Domestic Assistance" has been published. It contains a listing of more than 1,000 Federal programs and activities which provide assistance or benefits to various sectors within the economy. Each program is described in terms of the specific type of assistance provided, the purpose for which aid is available, who can apply for it and how to apply. It also identifies Federal offices to be contacted for additional information on the program. The loose-leaf publication is available from the GPO at \$17 per copy.

SECURITIES EXCHANGE COMMISSION

Uniform net capital requirements for all brokerage firms including members of designated securities exchange and non-bank municipal brokers and dealers have been adopted (Rel. No. 34-11497, 6/26/75). The rule establishes minimum financial responsibility requirements for all broker-dealers on 9/1/75 as required by P.L. 94-29, the Securities Acts Amendment of 1975. A transition period has been allowed whereby the requirements to compute net capital under the new rule will be delayed until 1/1/76. In addition, non-bank municipal broker-dealers will become subject to the Rule on 12/1/75 and the Commission is seeking comments from such broker-dealers with respect to any special problems they may have in complying with the rule.

In speaking on the subject of disclosure of multinational corporation payoffs, Chairman Garrett recently stated that "the accounting profession feels caught in the middle and peculiarly exposed." These remarks were included in a lengthy discussion of this disclosure problem in an address to the American Society of Corporate Secretaries, Inc., on June 27th wherein he said that the commission is "seriously considering engaging in a joint effort, probably through an accounting series release, to provide auditors with some guidance in rendering opinions on published financial reports." Mr. Garrett concluded that auditors are "certainly entitled to some understanding of what is expected of them."

TREASURY, DEPARTMENT OF

Proposed amendments to the Income Tax Regulations relating to a Domestic International Sales Corporation (DISC) appeared in the 6/30/75 Fed. Reg., p. 27483. The amendments pertain to the time by which a corporation must satisfy the separate bank account requirement, the manner of electing to be treated as a DISC, and the computation of an earnings and profit offset. Comments are to be filed by 7/31/75.

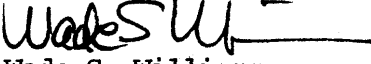
An amendment to the Employment Tax Regulations in order to modify the requirements for the deposit of certain employment taxes was published in the 6/27/75 Fed. Reg., p. 27240. This amendment is designed to ease the administrative burden on small businessmen resulting from the present requirements relating to depositing employment taxes, to simplify deposit requirements, and to correct a technical defect in existing regulations. Comments on this proposal are also due by 7/31/75.

Chairman Ullman (D-OR of the House Ways and Means Committee) has announced that the July hearings on tax reform will run Monday through Wednesday of each week, starting Tuesday, July 8th. The witness list for the month of July should be released this week.

A committee print covering statements presented in panel discussions during the first week of tax reform hearings June 23rd to June 25th is available. This first round of hearings covered the subjects of objectives and approaches to tax reform, simplifying and restructuring the tax law, and capital formation. Copies may be obtained by calling the committee, 202/225-3625.

Hearings will be held this Thursday and again Monday, July 14th, by the Senate Finance Committee on the House-passed energy tax bill. Testimony was being solicited not only on the specific provisions of HR 6860, but also on other proposals within the Committee's jurisdiction relating to energy production, conversion and conservation. Written statements for inclusion in the printed record of the hearings may be filed by 7/18/75 with Mr. Michael Stern, Staff Director, Committee on Finance, Room 2227, Dirksen Senate Office Building.

A summary of the major provisions of HR 6860 as passed by the House has been released by the House Ways and Means Committee. For a copy of the committee print, call 202/225-3625.


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